

**DeWitt Energy
PO Box 395
Clinton, IL 61727
217 935 6400**

April 18, 2005

Mary Collins
Illinois Commerce Commission
160 N. LaSalle St.
Chicago, IL 60601

Dear Ms. Collins:

Thank you for taking the time to return my call today and listen to my concerns and opinions regarding the landfill gas renewable energy business in the state.

We are currently working to develop a renewable energy facility fueled by landfill gas at the Clinton Landfill in Clinton Illinois. To help you to better understand how the Lieutenant Governor's proposed elimination of the Retail Rate Law and the Governor's proposed Sustainable Energy Plan would affect our planned project for the development of a landfill gas to green energy facility at the Clinton Landfill, I would like to give you an overview of our thoughts and how the changes could and would effect us.

We have been working to develop a 3.2 mW landfill gas renewable energy project at the Clinton Landfill for more than four years. The largest obstacle to development of this facility has been making the project financially feasible, since Ameren IP (and Illinois Power previously) has one of the lowest avoided costs of electrical power in the United States. This, and the questionable status of the Retail Rate Law, have made our project very difficult to get off the ground.

We view the Lieutenant Governor's proposal to drop the Retail Rate Law along with the Governor's proposed Sustainable Energy Plan and subsequent creation of a Renewable Portfolio Standard for the state as the way forward for the future of renewable energy in Illinois. We therefore support both the Governor's and Lieutenant Governor's proposals together. It should be noted however that dropping the Retail Rate Law and not moving an appropriate Sustainable Energy Plan into law would be disastrous for our project and for the industry in the state as a whole.

We are aware of a lobbying effort by the Landfill Gas Coalition to raise the penalty under the proposed Sustainable Energy Plan for utilities and Alternative Retail Electric Suppliers from \$25/mWh to \$50/mWh and to give projects that are currently operating under the Retail Rate Law preferential access to the new Renewable Portfolio Standard (RPS) and the subsequent sale of Renewable Energy Credits ("REC's). We support the raising of the penalty for non-compliance as this creates a real incentive to recover as much renewable energy as possible from these renewable resources and is in line with other states that currently have an RPS in place. It also encourages economic growth, investment in the state, job creation, reduction of pollution and reduction of our dependency upon foreign oil. However, the proposal by the Landfill Gas Coalition to give existing Retail Rate Law projects preferential treatment will have the effect of discouraging new project development.

Currently, there are twenty-two landfills receiving payment under the Retail Rate Law. If the Landfill Gas Coalition's proposal to give these projects preferential treatment were to become law, it is likely that years will pass before a project like the proposed DeWitt Renewable Energy Facility at the Clinton Landfill would be eligible to receive benefits under the RPS. This is because each of these twenty-two projects would have to formally accept or reject the RPS in place of their existing Retail Rate Payment before others would be eligible to sell their Renewable Energy Credits. Any project accepting the change from the Retail Rate to the new RPS would have to modify or cancel their agreement with the state under the Retail Rate Law, which would require refinancing or restructuring of their current project financing based on the new income resource. That will take years for everyone to understand and get comfortable with the new income stream from the RPS and sale of REC's. In the meantime, projects like ours would not be eligible to sell their REC's and, therefore, would either not get the benefit intended under the law or not be built at all causing a continued waste of the energy.

When we first started working on this project, Illinois had an incentive program called the Illinois Renewable Energy Resources Grant Program (IRERGP) administered by the Department of Commerce and Community Affairs' Bureau of Energy and Recycling Alternative Energy Development Section. Our project qualified for a grant under this program in the amount of \$550,000.

We recently submitted our application for the IRERGP and were rejected. We were told landfill gas to energy projects are no longer being funded because landfill gas has adequate incentives in place and they consider landfill gas to be financially self-supporting. Instead, the department is focusing on wind and solar projects. They based this rejection on the fact that the state has an incentive for landfill gas projects through the Retail Rate Law and the tax credit from the federal government. However, due to attempts to change or eliminate the Retail Rate law, there is no incentive available, as no one will fund our project based upon an income stream that is proposed to be eliminated. Also, the federal tax incentive to landfill gas projects is half as much and half as long for landfill as those for wind. The reasoning for not giving us a grant and yet making it available to other renewable projects that are not as reliable and have better incentives in the form of tax credits does not seem to coincide with the reason for the grant funding in the first place and certainly is unfair. Additionally, the opinion that landfill gas is financially self-supporting is not accurate in most of the state. In the ComEd area, the energy rates are more likely to support projects without additional benefits; however in the majority of the state, such as the Clinton area (Ameren IP service territory), the avoided cost of power is far below the cost to produce power. We are also working on a project in DeSoto that is in a service territory of Egyptian Electric and their rates are far below the costs to produce the power.

I also find it a bit confusing that communities such as Clinton and a wasted energy resource such as the Clinton Landfill are not being considered for aid when there are such obvious benefits to the environment and economy, not only for the local area but also for the entire state and country.

Currently every 24 hours the Clinton Landfill produces energy equivalent to 8,272 gallons of propane, or 3,019,407 gallons per year! This is enough energy to heat 3,774 average homes in central Illinois each year! Considering there are only 2,884 single-family homes in Clinton, this represents enough energy to more than meet the heating needs of the entire town! This is an incredible waste with no benefit to anyone!

The United States Environmental Protection Agency Landfill Methane Outreach Program lists 34 operational landfill gas projects in Illinois. They also show 32 landfills left in the state that have potential for development. If we were to assume that these 32 potential candidate landfills were the same size as the Clinton landfill, then there is the equivalent energy of 264,704 gallons of propane being flared in the state every 24 hours!

Considering the size of the Clinton landfill is in the bottom 15% of all the landfills in the US, it is highly likely that twice this figure or more is actually being flared! I believe it is imperative that the US recognize the incredible waste of this energy and do everything in its power to recover and beneficially use this energy. Currently the state of Illinois is in an excellent position with the proposed Sustainable Energy Plan to move decisively in this direction.

Laws that encourage development of renewable energy will provide a long-term true economic benefit to everyone who lives in the state. Putting to beneficial use this valuable resource right here in our back yard makes sense on every level. Letting it go to waste and discouraging development of such projects is short-sighted and wasteful.

We ask you give serious consideration to supporting the end of the Retail Rate Law only if the Governor's Sustainable Energy Plan is put into effect. In addition, we would encourage the ICC to support landfill gas renewable energy legislation and encourage lawmakers to review the IRERGP and have the Illinois Department of Commerce and Community Affairs Bureau of Energy and Recycling Alternative Energy Development Section restore eligibility for grants under this program for landfill gas projects, in particular in rural areas, where the avoided costs of energy are so low that development of these projects is financially difficult - if not impossible.

If I can be of any assistance in explaining these issues in more detail, please call me at 217 934 6400. Thank you for your time and consideration.

Sincerely,
DeWitt Energy Company, LLC

Edwin W. Ingalls
General Manager.